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C O N F I D E N T I A L SECTION 01 OF 04 DILI 000230

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SUBJECT: FRETILIN REASSESSES, PREPARES FOR POSSIBLE OPPOSITION ROLE

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REASON: 1.4 (b), (d)

1. (C) Summary: The results of East Timor's April-May 2007 presidential elections clearly demonstrated ruling party Fretilin's weakness heading into the June 30 parliamentary elections. Fretilin, which has dominated East Timor's politics since independence, was caught by surprise by the extent to which its national support had withered, prompting extensive internal debate and rethinking within the party. Perhaps the most notable source of internal criticism has come from a small informal group of Fretilin's younger generation, with a direct line to party Secretary General Mari Alkatiri, who emphasize the need to create a more inclusive party. Entrenched interests among party ranks, however, limit the freedom of this debate. Fretilin has adopted a different approach to its nationwide campaigning, focusing on local-level community and party meetings rather than large rallies, and changing its public relations messages to be focused on positive policy issues. Nevertheless, Fretilin's more confrontational instincts have not disappeared, with the most prominent example being its attacks, both physical and rhetorical, on former President Xanana Gusmao's newly-established party, which Fretilin clearly regards as its greatest threat. Looking toward the likely election outcome, Fretilin sources acknowledge that winning a majority may be out of reach, although they retain confidence that they can remain the largest party. In that case, they avow, Fretilin will focus its energies on becoming a strong opposition rather than attempt to bring other parties on board to form a coalition government. It remains to be seen whether this is sincere. Even if it is, post is concerned that as an opposition, Fretilin may channel its energies into being a disruptive rather than constructive force. End summary.

Wake up call

12. (C) The results of the presidential elections clearly demonstrated Fretilin's weakness heading into the parliamentary elections. While maintaining their dominance in the three eastern districts, their candidate lost dramatically in all remaining ten districts, with percentages falling below 10 percent in some areas. There is evidence that support for the party is continuing to erode, even in its traditional eastern stronghold. On a recent visit to the eastern district of Baucau, Embassy staff were struck by the frequent reports of Fretilin members quietly switching their allegiance to the dissident wing of the party, Fretilin Mudansa, which has thrown its support behind former President Xanana Gusmao's National Congress for Timorese Reconstruction (CNRT) party. The only district where Fretilin's hold on support appears to be unshakable is Viqueque, a fact which may be working against the party as Viqueque has become increasingly associated with campaign violence (reftel). Several party sources have in recent conversations acknowledged that they are facing widespread negative views of Fretilin and will have to work hard to recover its image.

Insiders Debate Fretilin's Direction

13. (C) Fretilin has by all accounts been caught by surprise by the extent to which its national support has withered, prompting a level of internal debate and rethinking within the party without precedent in recent years. While Fretilin Mudansa has been most often identified as the main source of opposing views within the party, its members have been excluded from the party's decision-making, and it is essentially an external force at this point. By contrast, the current debate is very much within and among the party mainstream. Fretilin has kept these debates confined behind closed doors, continuing to show a united front around decisions and approaches once made. However, sources in and close to Fretilin have shared with us some of these internal dynamics. For example, according to a reliable source, there was heated debate regarding the ranking

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of the party list, with district party representatives arguing strenuously against retaining defeated Presidential candidate Francisco "Lu-olo" Guterres and former Prime Minister Alkatiri at the top. They ultimately lost the argument, but such challenges have been rare within the party and are a strong indicator of internal turmoil.

14. (C) Perhaps the most notable source of internal criticism has been a small informal group of Fretilin's younger generation, which has a direct line to Alkatiri. Among them are Aniceto Guterres, a relatively new Fretilin member and a commissioner on the Indonesian-East Timor Truth and Friendship Commission (CTF) and Jose Lobato, Executive Director of Timor Sea Designated Authority and nephew of jailed former Minister of Interior Rogerio Lobato. (Note: Jose Lobato, who is well regarded and exhibits none of his uncle's problematic inclinations, has been asked to take his uncle's place as Vice President of the party, but has so far refused to step into any high profile political positions.) In a recent discussion with Emboff, Guterres expressed his optimism that the door is now open to change and dialogue within Fretilin and he and his colleagues have been able to directly relay their criticism and suggestions to Alkatiri who has been ready to take them onboard, particularly in shaping their current campaign approach. The group's discussions, according to Guterres, have been addressing the need to open up party leadership to be more inclusive, to make room for the younger generation, and to moderate the arrogance that he sees as having undermined the party's connection to the broader public.

15. (C) Nonetheless, Guterres emphasized that he and his colleagues must tread very carefully. There remain many in the party who are hostile to any criticism of party leadership, regarding it as a threat to their own positions and status. He said that open opposition is still "very dangerous" adding "it's a very complicated party". In addition, while Guterres, Lobato

and their colleagues represent the possibility of a new generation of more moderate and inclusive Fretilin leaders, the younger generation within the party also encompasses some more questionable leaders. Labor Minister Arsenio Bano, among the youngest members of the Council of Ministers (cabinet), was less than a year ago lauded as an up and coming leader for his initial handling of the humanitarian crisis. However, he has recently been directly linked with rice distribution schemes to support Fretilin campaigning, including delivering a large supply to the head of Korca, the national martial arts group aligned with Fretilin. Another young party leader Jose Manuel Fernandes, Secretary of State for Youth and Sports, is credibly linked with the 7-7 gang and some of its recent intimidation in Dili.

A Kinder, Gentler Fretilin?

16. (SBU) Citing the need to focus on grassroots voter education and avoid the confrontational environment that sometimes characterized the presidential race, Fretilin has adopted a different approach to its nationwide campaigning, focusing on local-level community and party meetings rather than large rallies. Controversial national party leadership figures, such as Alkatiri, are playing a lower profile role, while the campaign leg work is being carried out by other leading figures within their home districts. In addition, there has been a marked change in the party's national public relations approach, which now demonstrates a much less bellicose stance. Gone are the constant stream of assertions of being the victim of malicious disinformation and intimidation campaigns or a coup orchestrated in concert with external forces. Instead, the almost daily stream of media releases primarily relay messages such as: "Fretilin holds dialogue with the people", "Fretilin's strong anti-corruption record", and "Education: the backbone of democracy and development".

The CNRT nemesis

17. (C) Despite its kinder, gentler campaign strategy, Fretilin's more confrontational instincts have not disappeared, with a regular trickle of reports coming in of Fretilin supporters'

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involvement in confrontations with other parties. The most prominent exception to its more positive messages is the focus on Gusmao's CNRT party which has become the regular target of Fretilin's ire. In recent conversation with CDA, Alkatiri described efforts to ensure that voters understood that the current CNRT was an entirely different organization than the former body of the same acronym as Fretilin's greatest campaign challenge. Fretilin's public statements have lambasted CNRT as trying to deceive the voters by associating the current party with the old CNRT, the umbrella resistance organization dissolved in 2001. Particular anger has been directed at the CNRT's alliance with the dissident Fretilin Mudansa group and the consequent use of Fretilin flags and symbols within the CNRT campaign. The Fretilin versus CNRT dynamic has accounted so far for the greatest number and most severe incidents of campaign violence. Although there is much evidence pointing to Fretilin's provocation of many of these incidents, it is also clear that CNRT supporters, especially those from Fretilin Mudansa group, have also engaged in provocations and fighting.

Post-election Scenarios: Slim Majority Or Active Opposition?

18. (C) In meetings with Alkatiri prior to the first and second rounds of the presidential race, he stated unequivocally his confidence that their candidate would win. In sharp contrast, at a June 8 meeting, he openly acknowledged that the party has little chance of gaining a majority in the parliamentary elections. This significantly moderated projection is consistent among all our Fretilin interlocutors, most agreeing that no party will gain a majority on June 30. Nonetheless,

they have not totally discounted the possibility. Fretilin is confident that its first-round presidential election results represent a reliable base and that it will be possible to build on this. Several sources have relayed their confidence that a number of Fretilin voters chose to vote for Ramos-Horta in the presidential race but will return to the party in the parliamentary poll. In addition, party sources claim that they can peel off some opposition party supporters unhappy with their party, pointing in particular to Timorese Association of Social Democrats (ASDT) supporters disenchanted with their party's coalition with Social Democratic Party of East Timor (PSD).

19. (SBU) Nonetheless, while Fretilin appears to have a shot at retaining its position as the largest party, the likelihood of it losing its majority status is widely accepted. Party sources began openly acknowledging that they were discussing the possibility of being in opposition after the first round of the presidential election. Debate on this issue has gone through several iterations, and at times party leaders have indicated willingness to participating in a coalition government. However, the most recent message from multiple sources representing variety of strains is that Fretilin will only be in the government if they win an absolute majority of 33 or more seats in the 65 member legislature. Some sources have reported that even this will not be sufficient and that they will remain out of government with anything less than 40 seats. The focus would then be on becoming a strong opposition.

Comment

10. (C) Despite the fact that Fretilin's electoral outlook appears grim, it would be a mistake to count the party out yet. They are putting great effort into this campaign and may yet be able to make some electoral recovery. Moreover, their claim to be ready to head into opposition should be taken with a grain of salt. Even without an absolute majority, they may decide to pursue alliances to prevent losing their hold on government. On the other hand, we also see indications that the party may be regard a disruptive opposition role as a more powerful position over the long run - one that will allow them to work on discrediting the government in office and then work on building their way back to power. The internal debate in Fretilin is clearly ongoing. It is interesting to note that the Fretilin party members aligned with the Mudansa movement have not been expelled from the party, possibly indicating internal disagreement on how to deal with the problem. The Fretilin versus CNRT dynamic will likely continue to be dominant through

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the campaign and the amount of attention Fretilin is showering on CNRT indicates the extent to which it regards it as its most serious threat. End comment.
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